

Examiner's report

P6 Advanced Taxation (SGP)

December 2014



General Comments

Candidates were required to attempt two compulsory questions in Section A where Question 1 was for 35 marks and Question 2 for 25 marks, totalling 60 marks. In addition they had to choose two questions in Section B, where three questions were provided for 20 marks each.

The time allotted for this paper appeared to be sufficient as almost all candidates were able to attempt four questions within the time given. Where parts of a question were left unanswered by candidates, this appeared to be due to a lack of knowledge or poor examination technique, as opposed to time pressure.

Candidates performed fairly well on the two compulsory questions, although some candidates struggled with parts (ii) and (iii) of Question 1. In Section B, Questions 4 and 5 were more popular choices than Question 3.

Overall, candidates performed relatively well on Questions 1(i), 3(b) and (c), 4 and 5(a) but not as well on Questions 1(ii) and (iii), 3(a) and 5(b).

Specific Comments

Question One

This question was divided into three parts and tested candidates on their knowledge of the different types of taxes applicable to a typical reorganisation of a group of companies. Whilst most candidates were able to deal with the various tax implications relating to the transfer of shares in a Singapore company (part (i)), they fared less well when dealing with the tax implications of the transfer of shares in an overseas company (part (ii)). Some candidates failed to understand how part (ii) differed from part (i) and either repeated the same answers for part (i) in part (ii) or answered out of context. Many candidates were unaware of the specific goods and services tax (GST) issues relating to the secondment of staff in part (iii) and instead chose to discuss the general GST issues which obviously limited the marks which could be awarded.

Question Two

Candidates' performance on this question was generally of an acceptable standard.

In part (a), many candidates were able to discuss the various conditions for the three different ways to utilise loss items and hence performed adequately. However, very few scripts went further to discuss the interaction of all these options and to conclude on the most tax efficient course of action with supporting workings, which is what the question required. In short, there was evidence of a lack of depth in the discussion presented.

In part (b), a number of candidates wrongly computed balancing adjustments for the computer notebooks which were not applicable as productivity and innovation credit (PIC) cash payouts had



been claimed. Candidates should also ensure they are familiar with the election to transfer assets at their tax written down values (s.24) which was tested in part (b) (ii).

Question Three

This question was divided into three parts.

It was apparent that many candidates were not aware of the tax rules governing reliefs for Central Provident Fund (CPF) top-ups tested in part (a). Many candidates who attempted this question only produced brief points on this issue. Some confused this concept with the general rules on claiming relief for voluntary CPF contributions or even the Supplementary Retirement Scheme.

Those who attempted this question scored well in parts (b) and (c) as they were familiar with the taxability of the different interest and investment income, as well as the not ordinarily resident (NOR) scheme.

Question Four

This question produced generally satisfactory answers.

For the first part, which dealt with the concept of permanent establishment (PE), many candidates performed well as they were able to discuss the situations when a PE could arise and the logical conclusion in the case of a warehouse scenario. However, only a few candidates dealt with the steps to be taken to mitigate the possible PE risks.

In part (b), which focused on the different tax considerations for a Singapore subsidiary as opposed to a Singapore branch, most candidates produced satisfactory answers. However, there were a number of candidates who made the incorrect assumption that the branch would be tax resident in Singapore, and accordingly should be entitled to all the tax benefits given to tax residents.

Question Five

This question produced mixed results for the two parts tested.

In part (a), candidates were generally familiar with the tax rules relating to the foreign-sourced income exemption scheme (FSIE). However, the “fixed place of operation” test in the case of service income was not adequately discussed by the majority of candidates.

Part (b) was, generally, not well answered. A number of candidates produced only brief answers and did not adequately address the tax implications for debt financing as contrasted with equity financing.